

**Supporting Statement for the Domestic Finance Company Report of  
Consolidated Assets and Liabilities  
(FR 2248; OMB No. 7100-0005)**

## **Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Domestic Finance Company Report of Consolidated Assets and Liabilities (FR 2248; OMB No. 7100-0005). The FR 2248 is a voluntary report, collected monthly as of the last business day of the month from a stratified sample of finance companies. Each monthly report collects balance sheet data on major categories of consumer and business credit receivables and on major short-term liabilities. For quarter-end months (March, June, September, and December), additional asset and liability items are collected to provide a full balance sheet. A monthly supplemental section collects data on securitized assets.

The data are used to construct universe estimates of finance company holdings, which are published in the monthly statistical releases Finance Companies (G.20) and Consumer Credit (G.19), in the quarterly statistical release Flow of Funds Accounts of the United States (Z.1), and in the *Federal Reserve Bulletin* (Tables 1.51, 1.52, and 1.55).

The Federal Reserve proposes to change the panel definition to include mortgage companies. In addition, the Federal Reserve proposes to instruct finance companies to include the assets and liabilities of their mortgage company subsidiaries. In addition, the Federal Reserve is concurrently proposing similar revisions on the FR 3033. A copy of the proposed FR 2248 instructions is provided in attachment 1. The current annual burden for the FR 2248 is estimated to be 352 hours and would remain unchanged with these proposed revisions.

## **Background**

Since the mid 1940s, the Federal Reserve has collected consumer credit data from finance companies on a regular basis. In 1955, the Federal Reserve conducted its first universe survey of finance companies, including business finance companies. In that survey, information was collected on major assets and liabilities, with an emphasis on receivables. Using data from that first universe survey, the Federal Reserve developed a monthly sample survey. Two sample panels were drawn from companies reporting in that universe survey, one representing consumer finance companies (which mainly provided small cash loans to individuals) and the other representing sales finance companies (which mainly purchased credit contracts generated in the sale of durable consumer goods). Companies in each sample panel were asked to supply the Federal Reserve with monthly data on their major consumer credit receivables.

To benchmark the monthly sample series, the Federal Reserve continued to conduct the universe finance company survey at five-year intervals. Then, in 1980, this benchmark survey was changed from a universe to a sample survey.

In 1970, the Federal Reserve abandoned the distinction between consumer and sales finance companies, owing to widespread diversification within the finance company industry. At that time, a single new reporting form was introduced to cover all major types of lending

(consumer, sales, and business financing). Since 1970, numerous other changes have been made to the reporting form in order to capture information on new types of activities in which finance companies were engaging as well as to eliminate data items no longer needed by the Federal Reserve. Major changes made in 1987 include the elimination of extensions data and the addition of the supplement on securitized assets.

In 2002, the survey was modified in three ways. First, the authorized panel size was reduced to 80 finance companies because the number of finance companies responding to the survey had declined, owing to industry consolidation and attrition. Second, four questions on the breakdown of real estate loans for one-to-four-family structures were added in order to improve flow of funds estimates of such loans. Third, a special addendum section was added which may be used, no more than semi-annually, if the need arises, for timely information on questions of immediate concern to the Federal Reserve.

## **Justification**

At the end of 2004, finance companies represented the second largest provider of consumer credit, owning 17 percent of all consumer credit and managing an additional 7 percent of consumer credit in the form of securitized pools. A large portion of personal consumption expenditures on durable goods is acquired with the use of credit, as are increasing portions of nondurable consumption goods and consumption services. Because personal consumption expenditures contribute importantly to both the level of U.S. gross domestic product (GDP) and to quarter-to-quarter fluctuations in the growth rate of GDP, the Federal Reserve has a need to monitor consumer credit as it makes decisions about monetary policy.

Finance companies also provide a significant share of short- and intermediate-term credit to businesses. Business investment, both for fixed capital and inventory, is one of the more cyclically sensitive components of GDP. Because of the significant effect monetary policy can have on business investment, in part via the availability of credit, monitoring the sources of funding to businesses is important for the implementation of monetary policy. The Federal Reserve has no other information collection that supplies the data obtained on the FR 2248.

## **Description of Information Collection**

### **Current Data Items**

The FR 2248 collects information on amounts outstanding in major categories of consumer and business credit held by finance companies and on major short-term liabilities of the finance companies. For quarter-end months (March, June, September, and December), the report also collects information on other assets and liabilities outstanding as well as information on capital accounts in order to provide a full balance sheet.<sup>1</sup> In addition, a monthly supplemental section collects data about assets that have been pooled by finance companies and sold to third parties that issue securities based on those assets. The supplemental section is organized in the same four categories of credit (consumer, real estate, business, and lease related).

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<sup>1</sup> All of this information is collected using a single version of the reporting form. Items to be reported only for the quarter-end months are so noted.

## **Reporting Panel**

The current authorized size of the FR 2248 reporting panel is 80 finance companies. The reporting panel for the FR 2248 is drawn from the sample of finance companies that responded to the 2000 Finance Company Questionnaire (FR 3033; OMB No. 7100-0277). In the recent past, approximately 45 finance companies have voluntarily filed the FR 2248 each month. Finance company assets are concentrated among a relatively small number of firms, many of which are survey reporters. Based on information from the 2000 Finance Company Questionnaire, the Federal Reserve estimates that FR 2248 reporters covered 75 percent of the universe of finance company assets as of the end 2004.

## **Proposed Revisions**

The finance company survey has traditionally collected balance sheet information from non-depository institutions for which the combination of sales finance receivables, personal cash loans, short- and intermediate-term business loans, and junior liens on real estate represent the largest portion of assets. This definition excludes mortgage companies, which are non-depository institutions that specialize in first liens on real estate. As a related matter, the current survey instructs finance company respondents to exclude the assets and liabilities of mortgage company subsidiaries from their reported figures.

The Federal Reserve proposes to change the panel definition to include mortgage companies. In addition, the Federal Reserve proposes to instruct finance companies to include the assets and liabilities of their mortgage company subsidiaries on the reporting form.

The inclusion of mortgage companies would improve estimates of financial flows, particularly household mortgage debt growth, as measured by the Federal Reserve Board's Flow of Funds accounts. Since Housing and Urban Development discontinued its Survey of Mortgage Lending Activity in the late 1990s, the Federal Reserve has been without a regular data source on the activities of mortgage companies. During this time, these firms may have accumulated inventories of loans that the estimates are not measuring. Also, as the front end of the mortgage "pipeline," mortgage companies may at times temporarily hold significant balances of mortgages awaiting securitization or sale. Thus, expanding the scope of the FR 2248 to include mortgage companies would improve the estimate of the overall stock of mortgage debt, and also mitigate likely measurement error in the quarterly flow measures of household debt growth from our failure to observe transitory mortgage holdings of these firms.

## **Time Schedule for Information Collection and Publication**

Most respondents submit their FR 2248 data monthly to the Federal Reserve Banks; approximately ten respondents have chosen to file directly with the Federal Reserve Board. Respondents submit quarterly data to the Federal Reserve Banks for quarter-end months only. To help ease the reporting burden on respondents, any semiannual special addendum questions would be sent to the respondents approximately three weeks in advance of the report as-of date. This advance notice would allow the respondents to submit the addendum data along with their regular monthly data. The data are then edited and transmitted to the Federal Reserve Board for

central processing. All data are due at the Federal Reserve Board on the eighteenth business day after the end of the month. Aggregate data are published in the Federal Reserve Board's monthly statistical releases Consumer Credit (G.19) and Finance Companies (G.20), in the quarterly statistical release Flow of Funds Accounts of the United States (Z.1), and in the *Federal Reserve Bulletin* (Tables 1.51, 1.52, and 1.55).

### **Frequency**

The Federal Reserve proposes to retain the monthly frequency, with some data items continuing to be reported only for the quarter-end months.

### **Legal Status**

The Federal Reserve Board's Legal Division has determined that the FR 2248 is authorized by law (12 U.S.C. §225(a)) and is voluntary. Individual respondent data are confidential under section (b)(4) of the Freedom of Information Act (5 U.S.C. §552).

### **Estimate of Respondent Burden**

The following table shows estimates of the burden imposed by the Federal Reserve System on the domestic finance companies that participate in the FR 2248. The Federal Reserve Board would supplement the current sample to include mortgage companies within the current sample size authorization, thus the number of respondents would remain unchanged. The current annual burden is estimated to be 352 hours. The estimated annual burden for the FR 2248 represents less than 1 percent of total Federal Reserve System burden.

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	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average minutes per response</i>	<i>Estimated annual burden hours</i>
FR 2248 monthly	80	8	18	192
FR 2248 quarterly	80	4	25	133
FR 2248 addendum	80	2	10	27
Total				352

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Based on a rate of \$20 per hour, the current annual cost to the public of the survey is estimated to be \$7,040.

### **Estimate of Cost to the Federal Reserve System**

The continuing annual cost to the Federal Reserve System of collecting and processing this report is estimated to be \$40,281.

### **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.